

**REPORT OF THE AUDIT OF THE  
HICKMAN COUNTY  
CLERK**

**For The Year Ended  
December 31, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE HICKMAN COUNTY CLERK**

**For The Year Ended  
December 31, 2009**

The Auditor of Public Accounts has completed the Hickman County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$10,220 from the prior year, resulting in excess fees of \$30,734 as of December 31, 2009. Revenues decreased by \$76,991 from the prior year and expenditures decreased by \$87,211.

#### **Report Comment:**

- The Hickman County Clerk's Office Lacks An Adequate Segregation Of Duties

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities or bonds.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Pruitt, Hickman County Judge/Executive  
The Honorable James Berry, Hickman County Clerk  
Members of the Hickman County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Hickman County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 14, 2010 on our consideration of the Hickman County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Greg Pruitt, Hickman County Judge/Executive  
The Honorable James Berry, Hickman County Clerk  
Members of the Hickman County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Hickman County Clerk's Office Lacks An Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Hickman County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

April 14, 2010



HICKMAN COUNTY  
JAMES BERRY, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Grants	\$	7,057
State Fees For Services		2,295
Revenue Supplemental		57,376
Fiscal Court		5,103

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	198,517
Usage Tax		397,171
Tangible Personal Property Tax		362,816

Other-

Fish and Game Licenses	12,484	
Marriage Licenses	1,385	
Deed Transfer Tax	11,279	
Delinquent Tax	43,614	1,027,266

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	5,326	
Real Estate Mortgages	6,171	
Chattel Mortgages and Financing Statements	13,634	
Affordable Housing Trust	5,952	
All Other Recordings	1,922	

Charges for Other Services-

Lien Fees	2,568	
Title Applications	921	
Copywork	442	
Candidate Filing Fees	670	37,606

The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY  
 JAMES BERRY, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

Revenues (Continued)

Other:

Miscellaneous		\$	590
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Interest Earned			<u>753</u>
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Total Revenues			1,138,046
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Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	151,260	
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Usage Tax		385,239	
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Tangible Personal Property Tax		136,865	
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Licenses, Taxes, and Fees-

Fish and Game Licenses		12,265	
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Affordable Housing Trust		5,952	
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Legal Process Tax		4,736	
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Delinquent Tax		<u>4,648</u>	\$ 700,965
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Payments to Fiscal Court:

Tangible Personal Property Tax		31,000	
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Delinquent Tax		5,724	
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Deed Transfer Tax		<u>10,715</u>	47,439
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Payments to Other Districts:

Tangible Personal Property Tax		180,513	
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Delinquent Tax		<u>21,847</u>	202,360
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Payments to Sheriff			555
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Payments to County Attorney			6,488
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Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries		44,029	
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Part-Time Salaries		2,646	
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Employee Benefits-

Employer's Paid Health Insurance		370	
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The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY  
 JAMES BERRY, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Contracted Services-			
Software Maintenance	\$	6,060	
Printing and Binding		1,232	
Materials and Supplies-			
Office Supplies		6,721	
Other Charges-			
Conventions and Travel		2,431	
Dues		720	
Website Development		2,000	
Postage		1,329	
Miscellaneous		732	
			\$ 68,270
Capital Outlay-			
Office Equipment		900	
Microfilming		7,057	
			7,957
Total Expenditures			<u>\$ 1,034,034</u>
Net Revenues			104,012
Less: Statutory Maximum			<u>67,032</u>
Excess Fees			36,980
Less: Expense Allowance		3,600	
Training Incentive Benefit		2,646	
			<u>6,246</u>
Excess Fees Due County for 2009			30,734
Payment to Fiscal Court - January 11, 2010			<u>30,734</u>
Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2009  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Hickman County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Hickman County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2009  
(Continued)

Note 4. Grant

The Hickman County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$7,057. Funds totaling \$7,057 were expended during the year.

Note 5. Lease

The Office of the County Clerk was committed to a lease agreement with Xerox Corporation for a copier. The agreement requires a monthly payment of \$82 for 60 months to be completed on March 2010. The total balance of the agreement was \$327 as of December 31, 2009.

Note 6. Service Contract

The Office of the County Clerk has entered into a software license agreement with Software Management for the rights to use their software. The agreement requires a monthly payment of \$505. The Hickman County Clerk was in compliance with the agreement as of December 31, 2009.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Pruitt, Hickman County Judge/Executive  
The Honorable James Berry, Hickman County Clerk  
Members of the Hickman County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Hickman County Clerk for the year ended December 31, 2009, and have issued our report thereon dated April 14, 2010. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hickman County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Hickman County Clerk's Office Lacks An Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be material a weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hickman County Clerk's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Hickman County Clerk's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the County Clerk's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Hickman County Fiscal Court, and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

April 14, 2010

COMMENT AND RECOMMENDATION



HICKMAN COUNTY  
JAMES BERYY, COUNTY CLERK  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESSES:

The Hickman County Clerk's Office Lacks Adequate Segregation Of Duties

The Hickman County Clerk's Office lacks an adequate segregation of duties over the accounting functions of the Hickman County Clerk's Office. The county clerk is responsible for receiving cash, preparing the daily bank deposits, posting cash receipts to the ledger, preparing the monthly bank reconciliation and also comparing the weekly, monthly and quarterly reports to the receipts and disbursements ledger. The county clerk is also responsible for preparing and signing checks as well as posting to the disbursements ledger and preparing financial reports. A lack of segregation of incompatible duties or strong oversight could result in misappropriation of assets and/or inaccurate financial report to external agencies, such as the Department for Local Government, which could occur but not be detected. This condition is a result of a limited budget, which restricts the number of employees the county clerk can hire.

A proper segregation of duties over the accounting functions such as receiving cash, recording cash, preparing bank deposits, writing checks, maintaining ledgers, reconciling bank records to the ledgers and the preparation of monthly reports or implementing compensating controls, when necessary because the number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

In order to adequately protect against misappropriation of assets and/or inaccurate financial reporting, the Hickman County Clerk should separate the duties involved in receiving cash, preparing bank deposits, posting cash receipts to the ledger, preparing the monthly bank reconciliation, comparing the weekly, monthly, and quarterly reports to the receipts and disbursements ledger, writing checks, posting to the disbursements ledger as well as preparing the financial report. If, due to a limited budget, this is not feasible, cross-checking procedures could be implemented and documented by the individual performing the procedure.

*County Clerk's Response:*

*"I can't do anymore than we are doing now. We are doing the best we can do."*

